

## **Internal Control Assessment Credit Cards- State Tax Exemption**

### **Purpose**

To ensure that proper internal controls exist regarding FSA's small purchase card program.

### **Background**

The General Service Administration (GSA) is responsible for administering the small purchase card program, commonly referred to as the Smartpay program. In accordance with GSA policy, sales to the U.S. Government are exempt from the sales tax, if the charges are directly incurred by the Federal Government. In order for a sale to be tax exempt, the obligation must be incurred between the Federal agency and a vendor and must be paid directly from the Federal agency to the vendor. The GSA Smartpay purchases will be directly billed to the FSA and thus will qualify as tax-exempt purchase. Purchases made and paid directly to a vendor by FSA employees, using cash, personal checks or personal credit cards will continue to be considered transactions between the employee and the purchase will therefore be subject to sales tax, versus tax exemption.

### **Internal Control Standard**

FSA must ensure that purchases made by its employees using the GSA Smartpay purchase card, do not include sales tax.

### **Assessment of FSA's Compliance**<sup>\*</sup>

We performed random sampling of Smartpay purchase transactions by FSA employees. We discovered that some purchases included sales tax, when in fact the purchase should have been tax exempt.

---

<sup>\*</sup> The actual testing phase including interviews and examination of sampled records has not yet occurred. This write-up is only a sample of what may be discovered during the testing phase of the FMFIA process.